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April 27, 2010

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**"Families in rural communities often have fewer options when they are looking for a home loan than their neighbors in more urban areas," said Congressman Melancon. "The USDA's home loan program provides a vital source of mortgage credit for many Louisianians who are seeking to make renovations or purchase a new home. This bill will strengthen our rural communities in Louisiana, and I am proud to support it."**

The financial crisis has spiked consumer interest in the USDA's loan guarantee program, causing the number of loans made annually to triple since 2006. Because demand continues to grow, the program will soon exhaust its federal funding. The *Rural Housing Preservation and Stabilization Act of 2010* will, at no cost to the taxpayers, solve this problem by making the program self-funded, enabling families living in rural communities to continue to access these much-needed loan guarantees.

The USDA program encourages banks to lend to qualified low- to moderate-income buyers in designated rural areas by guaranteeing up to 90% of the loan value, meaning if a buyer defaulted on the loan, the lender could recover nearly all of the loss on the loan. These guarantees decrease the exposure of home lenders to defaults so that they will underwrite more mortgages.

To qualify for the program, borrowers must have good credit and reliable incomes to sustain homeownership.

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